

**ZVRS**

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REDACTED - FOR PUBLIC INSPECTION

February 15, 2017

**VIA HAND DELIVERY AND ELECTRONIC FILING**

Karen Peltz Strauss  
Eliot Greenwald  
Bob Aldrich  
Michael Scott  
Federal Communications Commission  
445 12th Street SW  
Washington, D.C. 20554

**RE: CSDVRS, LLC Response to Staff Request for Cost Data  
Non-Dominant VRS Provider Rate Proposal  
CG Docket Nos. 10-51, 03-123**

Dear Ms. Peltz Strauss and Messrs. Greenwald, Aldrich, and Scott:

In response to a request from Federal Communications Commission (“Commission”) staff, CSDVRS, LLC d/b/a ZVRS (“ZVRS”) hereby submits to the Commission this letter and the attached cost data provided to Rolka Loube last year on February 20, 2016 as part of the Annual TRS Provider Data Request filing. The cost data is provided in support of the request by non-dominant providers of Video Relay Service (“VRS”) that the Commission expeditiously initiate a proceeding to stabilize VRS provider compensation rates.<sup>1</sup>

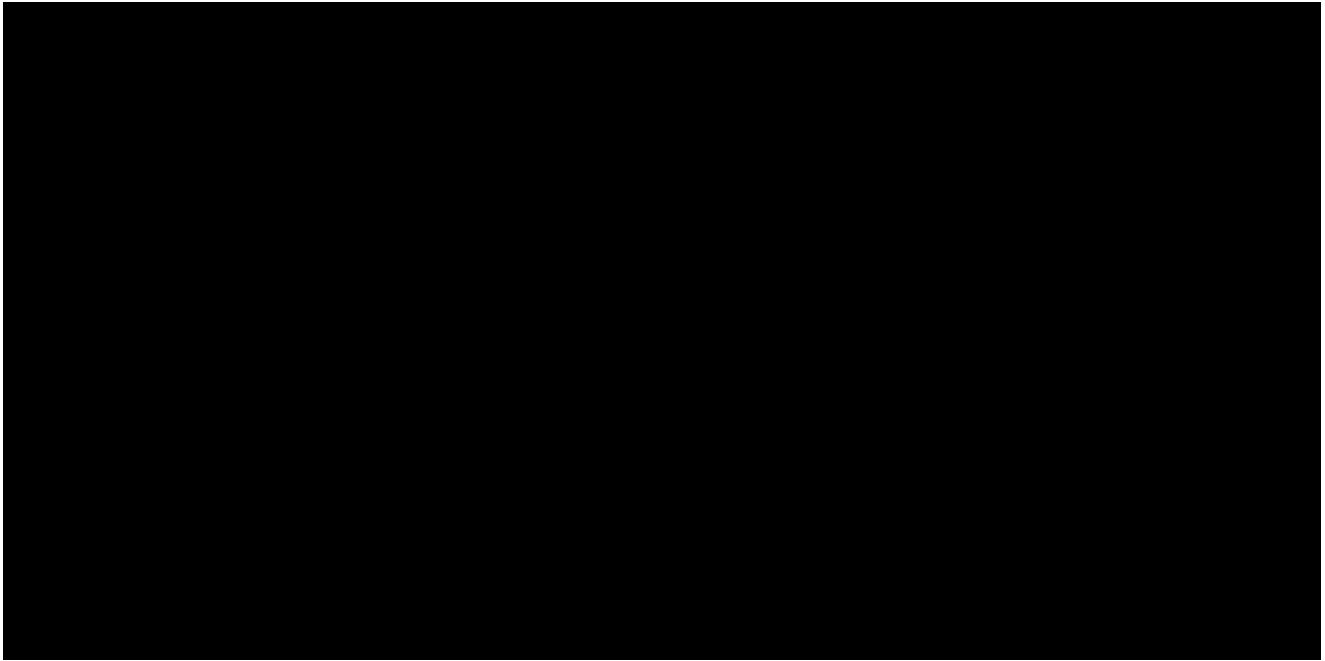
As demonstrated in this letter and the attached Annual TRS Provider Data Request, the VRS provider compensation rate cuts implemented under the *VRS Reform Order* glide path have so adversely affected the non-dominant providers’ operating margins as to threaten the competitiveness and functional equivalence of the VRS program as a whole. It is imperative that the Commission expeditiously act to stabilize rates in order to preserve both high-quality service and consumer choice for VRS users.

As an initial matter, the below table provides a high-level overview of ZVRS’ actual and projected minutes of usage, revenue, expenses, and operating margin for 2015, 2016, and 2017. The numbers demonstrates in stark relief the detrimental effect of the glide path rate cuts.

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<sup>1</sup> See Letter from Purple Communications, Inc., Convo Communications, LLC, CSDVRS, LLC d/b/a ZVRS, and ASL Services Holdings, LLC d/b/a GlobalVRS to Marlene H. Dortch, Secretary, FCC, CG Docket Nos. 10-51, 03-123, (filed Jan. 31, 2017).

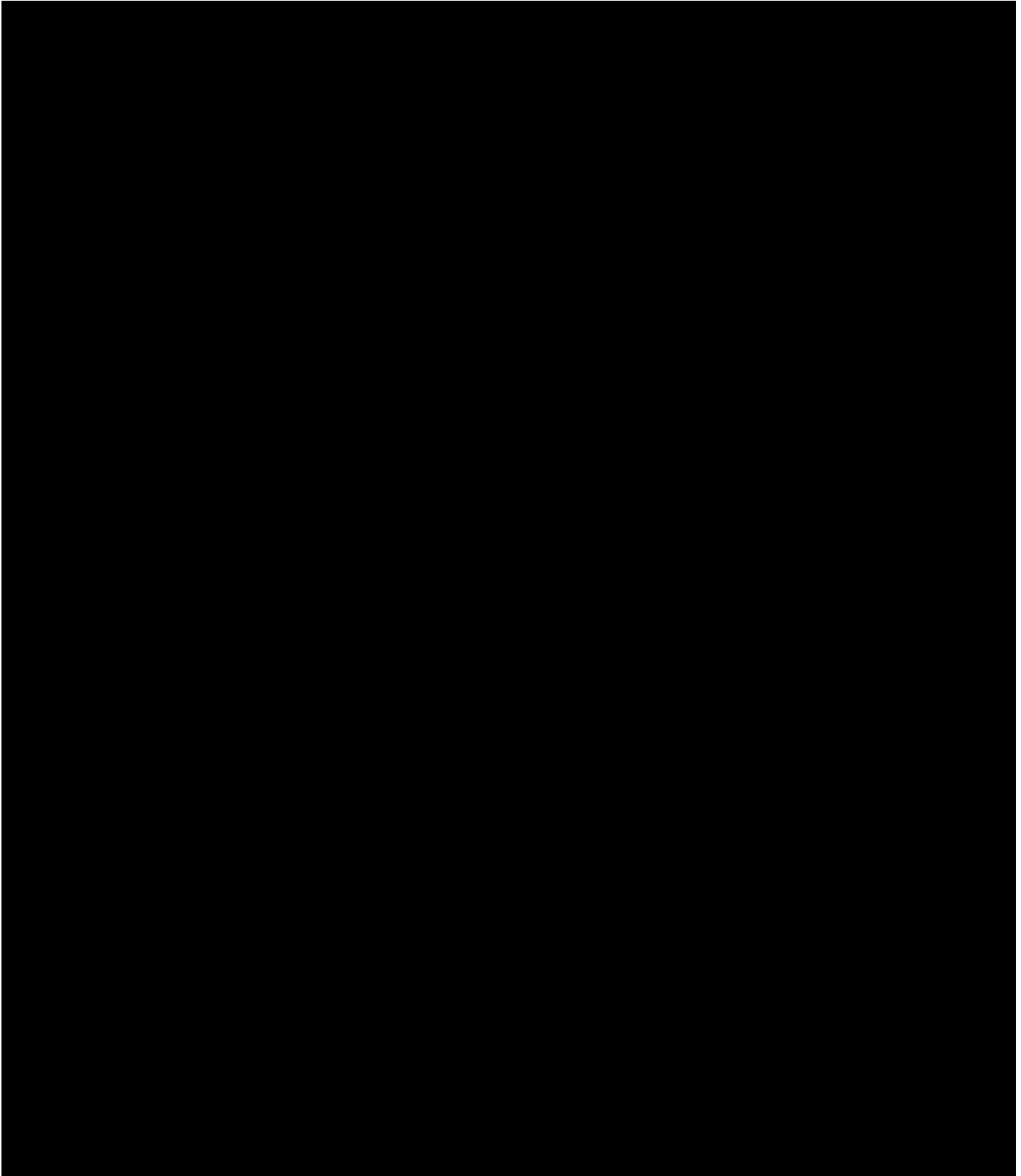
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The following chart demonstrates over an eight-year period the correlation between the volume of VRS minutes and a provider's realized compensation rate. As illustrated below, reductions in a provider's realized rate place stress on the provider's operating margin. This, in turn, reduces the overall amount of resources available to fund the company's operations, and increasingly forces a non-dominant provider such as ZVRS to focus its resources almost entirely on mere maintenance of its existing business. Resources are then diverted away from procompetitive efforts to expand customer base and enhance products through research and development which will improve the functional equivalence of the service.

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Please note that performance for 2016 was **\*\*\*BEGIN CONFIDENTIAL INFORMATION\*\*\*** **\*\*\*END CONFIDENTIAL INFORMATION\*\*\*** due to a number of factors.<sup>2</sup>

As demonstrated by the data herein and in the attached Annual TRS Provider Data Request cost submission, the cumulative effect of the glide path rate cuts has been to place extreme downward pressure on non-dominant providers' operating margins such that they are less and less able to allocate resources to competing for market share or to improving the functional equivalence of the service. For example, to offset the effect of the glide path rate cuts on its operating margins, ZVRS would have had to grow its VRS call volumes by approximately **\*\*\*BEGIN HIGHLY CONFIDENTIAL INFORMATION\*\*\*** **\*\*\*END HIGHLY CONFIDENTIAL INFORMATION\*\*\*** annually. Clearly, given the inability of any non-dominant provider to allocate sufficient resources to procompetitive initiatives during the glide path period, the achievement of any such growth rate by a non-dominant provider such as ZVRS is practically impossible. The glide path rate cuts have exacerbated the competitive imbalance in the VRS market as the non-dominant providers are forced to focus solely on efforts to maintain their existing businesses, which has proved to be a losing battle.

This fact is illustrated in stark relief by the fact that, before the establishment of the glide path, ZVRS was making tangible, steady progress toward becoming a small, but legitimate, competitor in the VRS market. In fact, **\*\*\*BEGIN HIGHLY CONFIDENTIAL INFORMATION\*\*\***

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Not only does this dynamic exacerbate the competitive imbalance of the VRS market, but the glide path has also had the effect of delaying the delivery of enhancements that would improve the functional equivalence of VRS. By forcing the non-dominant providers to allocate a disproportionate percentage of their resources to efforts to merely maintain their existing businesses, the glide path rate cuts effectively required the non-dominant providers to forestall research and development activities. This, in turn, delays the delivery of product enhancements that could advance the functional equivalence of the VRS program, to the detriment of VRS users.

The data provided in this letter and the attached Annual TRS Provider Data Request cost submission clearly demonstrates the degree to which the existing VRS provider compensation rates

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<sup>2</sup> **\*\*\*BEGIN CONFIDENTIAL INFORMATION\*\*\***

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are discouraging competition and deferring the delivery of functionally equivalent VRS. ZVRS urges the Commission to expeditiously initiate a proceeding to stabilize VRS provider compensation rates. Doing so will preserve a competitive VRS market, and consumer choice. ZVRS stands ready to assist the Commission in its efforts.

Respectfully submitted,

/s/ Gregory Hlibok  
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Enclosure

cc: TRSreports@fcc.gov

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